



Is Now



Is Now



Approved EAS

**Tipanuk, Prairie,
Boise River,
Cambridge, Council,
Midvale,
Bruneau, Grand View
(Added To Treasure
Valley Region)
Richfield
(Added To Magic
Valley Region)
Lowman - Boise &
Boise County
Pending EAS
Potlatch-Lewiston
Eastern Oregon-
Treasure Valley**

Closed/Denied EAS

**Parma-Emmett
Yellow Pine-McCall,
Cascade
Atlanta-Boise**

Idaho Telecommunications

Mergers & Market Openings

New Names

Mergers and acquisitions affected Idaho in a big way this past year, with over 90% of Idaho's telephone customers getting a "new" service provider. All three of the state's largest incumbent local exchange carriers were involved with a merger or sale, with U S WEST South becoming a part of Qwest, GTE joining Bell Atlantic and becoming Verizon, and US WEST North being sold to Citizens.

Other than the name on the bill, most customers did not notice any immediate changes. However, as the new companies gain more experience with their new partners and service areas, they may begin to put their own stamp on their services.

The Idaho mergers and sales are part of the national trend, with all of the major Bell Operating Companies (BOCs) (the local exchange companies created with the break-up of AT&T) as well as GTE, the other large national local exchange company, now having merged, either together or with another carrier. The combined companies expect to be able to more readily compete in the deregulated telecommunications market.

The other national trend also impacting Idaho is the sale of rural exchanges owned by the BOCs to smaller, more rural-oriented companies. In Idaho, U S WEST sold its entire North Idaho service area to Citizens Communications. While this sale had not yet completed all of the regulatory hurdles and therefore has not become effective, the Idaho Commission did complete its review and approved the transfer of these exchanges from US WEST to Citizens.

Local Calling Area Extensions

Addressing customer petitions for expanding the calling areas that could be accessed with a local call continued to require considerable Commission resources. The Commission approved the expansion of local calling areas for customers of Rural, CenturyTel of the Gem State, Cambridge, Council and Midvale. Proceedings were initiated to address the calling areas of Potlatch and to consider including Ontario and other communities in Eastern Oregon in the calling areas of most Southwestern Idaho customers.

Idaho Telecommunications

Competition Slow To Develop

It has now been more than four years since the passage of the federal Telecommunications Act of 1996 made it legal for competition to develop for local exchange services, but making competition legal has not made it happen. Although regulatory barriers to competition in Idaho have been eliminated, most Idaho consumers still do not have a choice, and the few who do have choices are not enjoying the full advantages of competition envisioned by Congress.

Market forces, and not legal or regulatory barriers, are the primary factors leading to the slow progress of competition in Idaho. The Idaho Public Utilities Commission has granted more than 46 companies with Certificates of Public Convenience and Necessity to provide competitive local exchange service by June 30, 2000. However, only a handful of these competitive local exchange companies (CLECs) have made the market decision to actually provide service to customers.

In the year covered by this report, the Commission also approved 44 interconnection agreements (or amendments) between incumbent telephone companies and competitors, including those providing wireless or paging services. These agreements specify the terms and conditions for connecting one company's system to the others, in order that calls may transfer seamlessly from one company to the next. They also include the terms and conditions under which an incumbent will sell its services, or the individual network elements that CLEC's may use to provide competitive services without duplicating the existing facilities.

Enhancing Competition

The Idaho Telecommunications Act of 1988 allowed telephone companies to elect modified regulation for all but basic local exchange service to customers with five or fewer lines at one location. U S WEST chose partial deregulation under Title 62 for its territory in southern Idaho, beginning April 1, 1989. All telecommunications companies that only provide long distance services also come under the provisions of Title 62.

The Commission retains the authority to review the quality, availability, terms and conditions of service offered by economically deregulated Title 62 companies. Services provided by the new CLECs are not rate-regulated, but, in accordance with the provisions of Title 62, are subject to the Commission's rules. Telecommunications companies not providing basic local service, such as a long distance company, are also not subject to rate-setting authority of Title 61, but must comply with Title 62 rules. Upon complaint, the Commission may hold hearings and order changes if the public interest is adversely affected, and may resolve disputes between companies. Title 62 regulations require that price lists be filed with the Commission.

Competitive Local Exchange Carrier Certificates

Approved in FY00
13
Total Approved
(as of 7/1/00)
46

Interconnection Agreements

Agreements or
Amendments
Approved in FY00
44
Total Agreements
Approved
(as of 7/1/00)
91

Nearly 500
companies had filed
Title 62 price lists with
the Commission by
the end of July, 1999.

Idaho Telecommunications

Incumbent Local Exchange Companies

In addition to the North Idaho service area of Qwest that is being transferred to Citizens, and which will remain fully regulated and subject to the provisions of Title 61, there are 16 other local exchange companies whose services are still fully regulated by the IPUC. Qwest's (Formerly U S WEST) Southern Idaho operating company is by far the largest local exchange company, with over 67-percent of the customer lines (approximately 500,000) in the state. Verizon (formerly GTE) is a distant second, with nearly 130,000 access lines (approximately 18%). The current Qwest North service area is the third largest, with 36,000, or 5%. The purchase of these lines will more than double Citizens' presence in Idaho, as it currently has more than 20,000 access lines (3%). Fourteen other regulated telecommunications companies also serve Idaho residents, as well as six mutual or cooperative companies. These 20 companies serve the remaining 7%.

Eliminating Hidden Subsidies

In keeping with Section 62-623 of the Idaho Code, the rates of two more of Idaho's telephone companies were restructured to reduce subsidies that might have been a deterrent to competition. The rates of CenturyTel of the Gem State, which serves customers in the Richfield, Bruneau, Grand View and Grassmere-Riddle exchanges, and CenturyTel of Idaho, which serves customers in the Salmon area, were examined. In both cases, the charges imposed upon long distance companies for access to the local network, known as access charges, were reduced to levels at or near the statewide average for such charges.

To compensate for the reduction in revenues caused by these reductions, the rates for local exchange service were increased. The difference between the rates charged for business and residential service was also narrowed in this process.

Only one small company, Oregon -Idaho Utilities, which provides service in the Silver City and Jordan Valley, Oregon area, has access charge rates that remained well above the statewide average. The Idaho Commission staff, in cooperation with the Oregon Commission staff, has initiated an investigation of its charges as well.

An examination of high cost support for non-rural companies was also initiated during the year. Non-rural companies serve rural or other high cost customers, and the cost of serving these customers is averaged with other customers when rates were established. This is one example of a hidden subsidy. This proceeding is investigating methods for making such subsidies explicit, rather than hidden in the rates.

Idaho Telecommunications

Ensuring Markets Are Irreversibly Open

Prior to the federal Telecommunications Act of 1996, Qwest and Verizon were restricted from carrying long distance calls outside their own market areas or LATAs (Local Access Transport Area) . Such interLATA calls were carried by other long distance companies. However, Verizon may now carry both interLATA and intraLATA calls. Qwest remains restricted from carrying interLATA calls until it can demonstrate that it has irreversibly opened its market to competition for local exchange customers by complying with the items specified on a checklist developed by the Federal Communications Commission. The Commission is participating in three multi-state collaborative proceedings to determine whether Qwest is in compliance with the checklist.

One is a thirteen-state effort to conduct a third-party test to determine whether Qwest's operational support systems (OSS) are open to competitors in a non-discriminatory manner. This multi-million dollar test is being conducted by KPMG Consulting, with Hewlett-Packard Consulting acting as a pseudo-competitive company trying to place orders using Qwest's OSS. Liberty Consulting is conducting an audit of Qwest's performance reporting procedures.

A second effort involving seven states is examining Qwest's compliance with the non-OSS related issues in the checklist.

The third effort, which was just beginning as the year covered by this report ended, includes 12 states, and it will investigate the methods for ensuring Qwest's market opening efforts are maintained after it has obtained permission to cross LATA boundaries.

Until the Commission determines that incumbent local exchange companies (ILEC) face effective competition throughout an exchange, basic local exchange service provided by an ILEC to residential and small business customers remains under the Commission's Title 61 rate-setting authority. US WEST petitioned the Commission for such regulatory relief in the Burley exchange, claiming that it faced effective competition from Project Mutual Telephone Cooperative, as well as providers of wireless service. The Commission ruled, in a split decision, that Qwest had failed to demonstrate it faced effective competition throughout the exchange.

Idaho Telecommunications

Idaho Telephone Service Assistance Program

ITSAP Summary

Sept, 99 - Sept, 00

Credits Provided

**Idaho Share
= \$787,110**

**Federal Match
= \$ 1,574,220**

**Total Value
of Credits
= \$2,361,330**

**Fund Balance
As of 9/30/00
= \$607,871**

The Idaho Telephone Service Assistance Program (ITSAP), commonly referred to as a “lifeline” program, provides credits to low income households to assist them in obtaining and maintaining telephone service. Because the value of telephone service increases as more households have a telephone, a small contribution from all non-participating households is used to fund this program. In response to federal changes to the program, the Idaho Legislature opened the program to all low income households.

The combined value of federal and state credits is \$10.50 per month per household. The state contribution to this amount is \$3.50, with the federal contribution covering the remaining \$7.00. The Department of Health and Welfare established and administers application procedures and eligibility determinations. Utilities are provided a list of the telephone numbers for qualifying households and automatically provide each household with the credits.

The Commission is responsible for maintaining the fund and reimbursing the telephone companies for the cost of providing these credits. Based upon the Department of Health & Welfare’s estimates of the number of households eligible for the credits, the Commission established the monthly surcharge paid by all telephone users, including wireless customers, at 5 cents per line effective July 1, 1999.

The ITSAP surcharge is assessed on all residential, business, and wireless end users. The gross surcharge revenue is netted against the assistance credits paid to eligible customers and the company’s administrative costs. Gross surcharge revenues collected by telecommunications companies during the year totaled \$588,904, of which \$420,351 (72%) was assessed on local exchange services and \$159,552 (28%) was assessed on wireless/cellular services. At the start of the fiscal year, 15,139 households were participating in the program. 20,706 households received the credit in September 2000. The total value of the credits received by Idaho households, including the federal match, was \$2,361,330.

Idaho Telecommunications

Idaho's Universal Service Fund

Telephone companies operating in Idaho have been required since July 1988 to contribute to a Universal Service Fund (USF) to ensure that the high costs of small telephone companies do not result in rates that exceed the statewide average by more than 25 percent. These local and long distance companies are permitted to recover their contributions from local and long-distance customers. Local exchange companies may apply for assistance from this fund. They must submit proof to the Commission that when they set their rates at 125% of the statewide average, they still do not fully recover their cost of providing local service. The Commission evaluates the circumstances and determines whether and for what amount the Company may receive Universal Service Funds.

Long distance companies connecting in-state long distance calls in Idaho are required to remit a 0.45 cent (\$0.0045) surcharge for each in-state long distance minute. Those companies are also required to submit periodic reports detailing their minutes of in-state toll usage. Local exchange companies are required to report and remit on a monthly basis 14 cents (residential) and 26 cents (business) for each line served.

Universal Service Fund Facts

July 1, 1999 ~ June 30 2000	Residential	Business	Toll Access
Statewide Average	\$17.31	\$32.54	\$0.0545
125% of Avg.	\$21.63	\$40.68	
Monthly Surcharge Rate	\$0.14/line	\$0.26/line	
LD/WATS Surcharge Rate	\$0.0045/min		

Fund Activity

Balance 6/30/99	\$ 139,186		
	Collections		Disbursements
Local Surcharge	\$1,311,584	ATC	\$509,866
Toll Surcharge	\$ 894,941	Cambridge	\$413,380
Total	\$2,206,526	Direct Comm	\$215,684
		Fremont	\$417,425
Disbursements	\$2,212,761	Inland	\$ 55,161
Admin/Amort/Bank/		Midvale	\$195,021
Brkr	\$ 14,096	Rural	\$243,122
Interest	\$ 9,828	Silver Star	\$163,101
			\$2,212,761
Balance 6/30/00	\$ 128,683		

Idaho Telecommunications

Idaho's Telephone Relay Service

Idaho inaugurated telephone relay service (TRS) on Dec. 1, 1992 for the hearing- and speech-impaired. TRS requirements were created by the Federal Communications Commission under Title IV of the Americans with Disabilities Act of 1990. The 1992 Idaho Legislature established the manner in which TRS has been implemented.

Under Idaho rules, the Idaho Public Utilities Commission established a seven-member telephone industry committee to help select and advise a TRS administrator. In 1992, the Commission appointed Robert Dunbar as its first TRS administrator.

This year, Mr. Dunbar consulted with representatives of the State Councils for the Deaf, Hard-of-Hearing and Developmentally Disabled and with the Industry Advisory Committee to formulate the invitation to bid for provision of the relay service. The bid request was then approved by the IPUC. Hamilton Telephone Co. of Aurora, Neb. was again selected to provide Idaho's TRS.

A TRS call may be initiated by a text telephone user or a standard phone user. The caller dials a toll free number to access the TRS center and reaches a Communications Assistant (CA) who will process the call. The caller gives the CA the number of the person to be called and the CA places the call to that person. The CA will type to the person with the text telephone and speak to the person with the standard phone, relaying exactly what is spoken/typed by each party.

"The idea is to allow as close to normal telephone service as possible for hearing- and speech-impaired persons," according to Dunbar.

While Idaho's TRS operators are stationed in Nebraska, calls they handle are billed point-to-point. Callers only pay the cost of the telephone call, as if the call was placed directly between the telephones. Long distance calls are billed based upon the points of origination and termination and many long distance companies bill them on a reduced rate basis. No charge is assessed local calls.

TRS service is available statewide and may be reached by voice by dialing 1-800-377-1363. Contact with a text-telephone operator may be made by dialing 1-800-377-3529. Questions or comments regarding the use of TRS may be directed from either a text or voice telephone to 1-800-368-6185. Information on Idaho's TRS program is also available via the Internet at: <http://www.hamilton.net/relay/id/itrs.htm>

Idaho is making plans to comply with the recent FCC mandate requiring TRS access by simply dialing 7-1-1. While no conversion date has yet been established, the PUC and industry leaders in Idaho hope to implement 7-1-1 access to the Idaho TRS well before the FCC's deadline of October 1, 2001.

In 1999, all Idaho local exchange companies were required to pay four cents (\$0.04) per access line per month, and in-state long distance companies were required to pay \$0.0007 per bill minute, to support the TRS.

TRS service is available statewide and may be reached by voice by dialing 1-800-377-1363. Contact with a text-telephone operator may be made by dialing 1-800-377-3529. Questions or comments regarding the use of TRS may be directed from either a text or voice telephone to 1-800-368-6185.

Idaho Telecommunications

Certificated Local Exchange Carriers

as of 6/30/2000

<u>Company</u>	<u>Status</u>
Adelphia Bus. Solutions Operations, Inc.	Approved 12/21/99
Advanced Telcom Group, Inc. (ATG)	Approved 1/12/98 Cert. No. 354
AT&T Comm. of the Mtn. States –Amendment of Certificate No. 295	Approved 8/27/96,
Avista Communications of Idaho, Inc.	Purchased Cert. #. 352 from One Eighty, 5/99
CCCID, Inc. d/b/a Connect!	Approved 6/18/99, Cert. No. 359.
Choctaw Comm. dba Smoke Signals Comm.	Approved 10/31/99, # 381
Citizens Communications	Approved 1/27/97, Cert. No. 323
Comm South Companies, Inc	Approved , Cert # 368
Concert Communications Sales	Approved , 8/2/99, Cert. # 361
Convergent Comm. Svcs. Inc	Approved , 6/5/00,
Crystal Communications, Inc.	Approved 5/11/98, Cert. No. 340.
C-Systems Inc (formerly Netlink)	Approved 9/8/98, Cert. No. 349
CTC Telecom (Cambridge)	Approved 8/10/98 Cert. No. 348
–CTL-T-99-1 (amendment)	Amended, No. 348A 6/30/99
DPi Teleconnect LLC	Approved , 4/7/00 Cert. #372
DSLnet Communications, Inc.	Approved, 9/1/99, Cert. # 362
Electric Lightwave	Approved 6/18/98 Cert No. 344
Eclipse Communications, Inc.	Approved 5/28/98, Cert. No. 346.
FIRSTEL, Inc.	Approved 9/28/98, Cert. No. 350
Fretel Communications. LLC	Approved, 1/5/00, Cert. # 370
Group Long Distance, Inc.	Approved 1/6/98, Cert. No. 335
GST Telecom	Approved 2/5/97 Cert No. 322
HighSpeed.Com, LLC;	Approved 1/22/99 Cert. No. 355
HJN Telecom	Approved, 1/28/99,
ICG Telecom Group, Inc.	Approved 3/3/99 Cert. No. 356
Intellicall Operator Services, Inc.	Approved 10/29/98; Cert No 351.
Jato Operating Two Corp.	Approved , 12/14/99, Cert. # 367
LCI International	Approved 6/18/98; Cert No. 343
Level 3 Communications, LLC.	Approved 12/31/98 Cert No. 353
Maxcess, Inc.	Approved , 6/15/00, Cert # 375

Idaho Telecommunications

Certificated Local Exchange Carriers

as of 6/30/2000

Company

MaxTel Communications
MCI WorldCom Technologies, Inc.
MCImetro Access Transmission Services
McLeod USA Telecommunications
MVX .COM Communications Inc.
Nextlink Idaho, Inc
One Eighty Communications, Inc.
Pac-West Telecomm, Inc.
Preferred Carrier Services, Inc.
Quintelco, Inc.
Rural Network Services
Sprint Communications
Sterling International Funding, Inc.
dba Reconex;
TEL-LINK LLC
Tel-Save Inc. dba The Phone Company
Teltrust Communications Services
U.S. Long Distance

Status

Approved 9/4/97, Certificate Pending
Approved 8/24/98 Cert. No. 347
Approved 7/16/98, Cert.No.337
Approved 5/27/97; Cert. No. 325
Approved, 10/27/99, Cert. # 366
Approved, 9/1/99, Cert. # 363
Approved 12/4/98, Cert No. 352
Approved, 3/21/00, Cert. # 373
Approved 6/24/99, Cert No. 359,
Approved 12/17/97; Cert No.342.
Approved 4/23/99 Cert. No. 357
Approved 7/2/97 Cert. No. 327
Approved 1-6-98, Cert. No. 336

Approved 7-11-97, Cert. No. 326.
Approved 9/18/97 Cert. pending
Approved Order No. 27628 Cert No. 345
Approved 11/10/97. Cert. No.341.

Other Local Telecommunication Service Companies

The following companies applications for Certificates were withdrawn as the local telecommunications services the companies intended to provide, typically high speed data services, do not require a certificate.

Arrival Communications, Inc.
Bell Atlantic Network Data. Inc.
New Edge Networks, Inc.
01 Communications of Idaho
Pathnet, Inc.
Triad Communications of Idaho
Worldwide Fiber Networks, Inc.

Telecommunication Cases

ATC

ATC was formed by the merger of Albion Telephone Company and Westel. ATC serves the Albion communities of Albion, Almo, Elba, Malta and Raft River southeast of Burley, and the Westel communities of Arco, Moore, Howe, Holbrook, Mackay, and Malad. The company received \$509,866 of its 2000 revenue from the state Universal Service Fund.

ATC
Residential = \$24.10
Business = \$42.00

Cambridge Telephone Company

Now including Council Telephone Company, Inc.

Cambridge Telephone Co.'s service area includes Cambridge, Cuprum, Indian Valley, Lowman, and Council, now that its merger with Council Telephone Company has been approved. Council Telephone Company was created by Cambridge to purchase the Council exchange from US WEST. Cambridge received \$413,380 of its revenue from the state's Universal Service Fund, which is derived from a surcharge on all Idaho phone bills. The USF enables high-cost companies, such as Cambridge, to keep their rates at about 125-percent of the statewide average.

Case No. CAM-T-99-02, in which the merged Company sought approval of an increase in rates and an extension of local calling areas, was concluded after the period of this report.

Cambridge
Telephone Company
Ave. Residential Rate
= \$24.10
Ave. Business Rate
= \$42.00

12/21/99

Cambridge-Council Merger Approved

Case No. CAM-99-01, Order No. 28239

The Idaho Public Utilities Commission approved the application of Cambridge and Council Telephone companies for a complete merger of the two companies.

The Council phone company was created in 1996 when the Council telephone exchange was purchased by Cambridge from US WEST. The Council service was created as a wholly-owned subsidiary of Cambridge and a three-year rate freeze was ordered by the PUC for Council customers. The two phone companies asked for authority to fully merge their operations, stressing that by doing so they will reduce operating costs associated with dual bookkeeping and other services. Operations and control of the two companies remained the same.

Telecommunication Cases

CenturyTel of Idaho, Inc.

CenturyTel of Idaho, Inc., with its headquarters in Louisiana, serves the Salmon, North Fork and Leadore areas of the Salmon and Lemhi river valleys near the Montana border. The company's rates were rebalanced in 1999, in compliance with the 1997 Legislative direction that required incumbent telephone companies such as CenturyTel to remove "implicit subsidies" from local rates.

May 3, 2000

CenturyTel Gets Approval To Change Local Phone Rates

Case No. CEN-T-99-4, Order No. 28340

Phone bills for some customers in the Salmon, Leadore and North Fork areas of Northcentral Idaho went up, but bills for many others who have paid extra for rural service went down, all a result of a decision by the Idaho Public Utilities Commission.

These changes came from PUC approval of a request by CenturyTel of Idaho – a unit of Century Tel, Inc – for a base residential monthly phone service rate of \$21.75, compared with previous monthly rates ranging from \$15.20 to \$17.20. Business basic monthly rates raised to a uniform \$39.77, from rates ranging from about \$29 to \$36.

These changes in local monthly rates helped offset the Company's reduced revenue because of lower access rates charged to long distance carriers for carrying intrastate calls. The PUC approval of the decreased long distance fees resulted from state and federal mandates ending subsidies that had inflated the access charges.

In addition, the Order complied with federal regulations and required all customers to have single-line service which also allowed customers to have features such as caller ID, last call return available, and allowed high-speed data connections for Internet service.

Many customers paying a mileage surcharge for rural service actually saw their total phone bills decrease with the PUC's adoption of a flat \$3.50 surcharge for the rural service in lieu of the mileage calculation that could have added as much as \$12 to a customer's bill. In addition, customers who use the phone infrequently have the option of signing up for a measured rate alternative that reduced the monthly charge by \$8.



Ave. Residential Rate
= \$21.75
+ \$3.50 rural adder
Ave. Business Rate
= \$39.77
+ \$3.50 rural adder

Telecommunication Cases

CenturyTel of the Gem State, Inc.

CenturyTel of the Gem State, Inc., provides telephone service to about 1,700 customers in parts of Ada, Elmore, Lincoln and Blaine counties. This Company's rates were also rebalanced in 1999, along with the approval of extended calling areas requested by its customers.

May 3, 2000

CenturyTel of the Gem State Gets PUC Nod To Expand Toll-Free Calling Areas; Raise Local Rates

Case No CGS-T-99-4, Order No. 28340

Telephone customers of CenturyTel of the Gem State in the Richfield, Grand View, Bruneau and Grasmere/Riddle areas of southern Idaho saw expanded toll free dialing areas, but with higher local business and residential service rates.

The Idaho Public Utilities Commission approved a request by CenturyTel of the Gem State – a unit of Century Tel, Inc – to expand toll free calling in two areas. First, customers in Richfield were approved to call toll free to all communities in US West's service areas in the Magic Valley. Secondly, customers in Grand View, Bruneau and the Grasmere/Riddle areas were approved to call without charge to Mountain Home and US West exchanges in the Treasure Valley, including Boise.

Changes in local monthly rates helped offset the Company's reduced revenue because of the expanded toll free calling areas and from lower access charges for long-distance carriers. The Order noted that the phone companies' access charges were among the highest in the state and clearly priced above actual cost, and thus could be viewed as a form of subsidy. "By bringing the ...rate for its access charges down to levels approaching the statewide average, the Companies' proposal accomplishes much of what is required by Idaho Code," the order said.

Base residential monthly service is \$24.10 per month. Business local service rates are \$39.77 per month. Measured rate alternatives to basic service are available for customers who make fewer calls. Those rates are \$8 less than both basic residential and business service. The Order also implemented a surcharge of \$3.50 per month for rural service.



Ave. Residential Rate
= \$24.10
+ \$3.50 rural adder
Average Business
Rate
= \$42.00
+ \$3.50 rural adder



Ave. Residential Rate
= \$17.50
Ave. Business Rate
= \$35.10

Telecommunication Cases

Citizens Telecommunications Company of Idaho

Citizens Telecommunications of Idaho is Idaho's third largest local telephone company, serving approximately 20,000 customers in Southern Idaho. The company provides service in the areas of Homedale, Aberdeen Carey, Fairfield, Marsing, Parma, Springfield, Wilder, Cascade, Donnelly, Elk City, Garden Valley, Horseshoe Bend, McCall, New Meadows, Riggins, Sweet and White Bird.

June 8, 2000

Customers To Benefit From PUC Approval Of US WEST Sale Of Service To Citizens

Case Nos. USW-T-99-25, CTC-T-99-02, Order No. 28394

With major benefits accruing to phone-service patrons, the Idaho Public Utilities Commission approved the sale of telephone service in the Lewiston-Grangeville service area from U S WEST to Citizens Telecommunications Co. As part of the transfer of service, which includes gains by U S WEST from the sale of depreciated assets, the Commission noted that a portion of the profits U S WEST will receive from the sale should be returned to the ratepayers.

As a result, customers in eight exchanges in the Lewiston-Grangeville area will see a \$7.5-million upgrade in digital switching equipment at Lewiston and a freeze in local telephone rates for at least two years. In addition, a set-aside of \$4.94 million was ordered by the Commission to be used for possible future programs that might include a contribution to the Universal Service Fund or expansion of toll-free calling areas. The PUC noted it would seek additional evidence in separate future proceedings before making a final decision on how to use the settlement amount.

Citizens also agreed to spend some \$27 million to upgrade facilities and improve services during the first three years of ownership. "The evidence is that this investment represents more improvement in the network than customers would have realized under U S WEST's continued ownership," the Commission said in its decision.

Citizens and U S WEST also entered into a transfer agreement to minimize any disruptions to customers and to make the transition "as seamless as possible." This will include no interruptions in public safety services such as 911 and assumption by Citizens of existing customer accounts without asking customers to submit to credit verifications.

Telecommunication Cases

Fremont Telecom Company

This utility was created to purchase the St. Anthony, Ashton and Island Park exchanges from U S WEST. It subsequently requested all remaining areas of Fremont County that are currently unserved to be included in its service area. Fremont is now the sole provider of wireline telecommunication services in Fremont County. Fremont received \$417,425 in assistance from the Idaho Universal Service Fund in FY 2000.

**Fremont Telcom
Company**
Ave. Residential Rate
= \$24.10
Ave. Business Rate
= \$42.00

Inland Telephone Company

Inland Telephone Co. serves about 300 customers, most of whom live near Lenore on the Clearwater River, and some of whom reside at Leon - a narrow strip of land in both Nez Perce and Latah counties on the Idaho side of the state line east of Uniontown, Washington. About \$55,161 of the company's annual revenue comes from Idaho's Universal Service Fund.

April 20, 2000

Dialing Plan Gives Inland Customers Enhanced Long Distance Choices

Case No INL-T-99-01, Order No. 28323

Customers of Inland Telephone Co. in northern Idaho found it easier to use the long distance carrier of their choice, as a result of action taken by the Idaho Public Utilities Commission. The Commission approved the plan submitted by Inland for "equal access", or "One Plus" dialing.

One Plus dialing is the ability to use the long distance carrier of choice, simply by dialing 1 followed by 208 and number being called. Prior to equal access, customers had to use a special dial-around code to reach any carrier other than the designated carrier. With equal access, they are able to use their desired carrier without dialing any special codes.

Inland, which serves the communities of Lenore and Leon, gave customers 90 days to select the long-distance carrier to provide their "One-Plus" dialing service. There was no charge for the initial carrier selection, if it was placed before the end of the 90 day grace period identified by the company. Customers may use the same carrier for both in-state and out-of-state calls, but may choose a different carrier for in-state calls if desired.

**Inland Telephone
Company**
Ave. Residential Rate
= \$14.55
Ave. Business Rate
= \$22.50



Ave. Residential Rate
= \$14.80

Ave. Business Rate
= \$22.50

Telecommunication Cases

Midvale Telephone Exchange

Now Includes Sawtooth Telephone Company

Midvale Telephone Exchange serves the Midvale area in Washington County, and the Lakeview area on the east side of Lake Pend Oreille in Bonner County. With the merger of Midvale and Sawtooth, a company created by Midvale to purchase the Stanley exchange from U S WEST, Midvale added the 900 customers in the Stanley exchange. The company received about \$195,021 of its annual revenue from the Idaho Universal Service Fund in FY 2000.

Case No. MID-T-99-01, in which the merged Company sought approval of an increase in rates and an extension of local calling areas was concluded after the period of this report.

Nov. 19, 1999

Midvale, Sawtooth Merger Approved

Case No. MID-T-99-02, SAW-T-99-02, Order No. 28233

The Idaho Public Utilities Commission approved the application of Midvale Telephone Exchange and Sawtooth Telephone Company for a complete merger of the two companies.

The Sawtooth Phone Company was created in 1996 when the Stanley telephone exchange was purchased by Midvale from US WEST. The Sawtooth service was created as a wholly owned subsidiary of Midvale. Midvale provides phone service in the Midvale, Yellow Pine, Warren, Warm Lake and Lakeside exchanges.

The two phone companies asked for authority to fully merge their operations, stressing that by doing so they will reduce operating costs associated with dual bookkeeping and other services. Operations and control of the two companies remained the same.

Telecommunication Cases

Feb. 1, 2000

Toll-Free Phone Service Between Yellow Pine/Warren Exchanges And McCall, Cascade, And Warm Lake Denied

Case No. MID-T-98-1, Order No. 28263

A request by customers seeking extension of toll-free phone service between the communities of Yellow Pine and Warren with the communities of Cascade, McCall and Warm Lake was denied by the Idaho Public Utilities Commission.

Telephone service in Yellow Pine and Warren is provided by Midvale Telephone Co. and in Cascade, McCall and Warm Lake by Citizens Telephone Co.

The commission ruled that there was insufficient “community-of-interest” relationships between the two locales to justify raising customer rates in those exchanges to cover the costs of providing toll free calling between them.

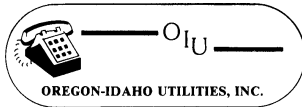
Verizon Northwest, Inc.

Verizon Northwest (formerly GTE Northwest) serves more than 125,000 Idaho customer access lines, making it the second largest telephone utility in the state. With the merger of its parent corporation GTE, with Bell Atlantic, the combined company was renamed Verizon. Verizon Northwest’s service area includes most of the Idaho Panhandle north of Lewiston, as well as parts of western Montana, eastern Washington, Oregon and northern California. Major population centers in Idaho served by Verizon include Coeur d’Alene, Moscow, Sandpoint and the Silver Valley.



Ave. Residential Rate
= \$18.50
Ave. Business Rate
= \$36.06

Telecommunication Cases



Ave. Residential Rate
= \$15.77
Ave. Business Rate
= \$26.51

Pine Telephone System

Ave. Residential Rate
= \$7.89
Ave. Business Rate
= \$11.50



Ave. Residential Rate
= \$24.10
Ave. Business Rate
= \$42.00

Teton Communications

Ave. Residential Rate
= \$24.10
Ave. Business Rate
= \$42.00

Oregon-Idaho Utilities, Inc.

In August 1992, the Commission approved the transfer of Contel's South Mountain exchange in Owyhee County to Oregon-Idaho Utilities. The South Mountain exchange serves Silver City, the Delmar Mines and surrounding areas. It was transferred to Oregon-Idaho Utilities, Inc. along with several southeastern Oregon exchanges operated by Contel of the West. Acquisition of Contel's South Mountain and southeastern Oregon exchanges was Oregon-Idaho's first venture in running a local exchange company. The utility currently has approximately 65 access lines in Idaho.

Pine Telephone System, Inc.

Pine Telephone System, Inc. serves two customers and a number of payphones in an area near Idaho Power Co.'s Brownlee Reservoir complex on the Snake River between Idaho and Oregon.

Silver Star Telephone Company

Silver Star serves the eastern portion of Bonneville and Caribou counties near the Wyoming border. The company receives \$163,101 of its annual revenue from the state Universal Service Fund.

Teton Communications

This new utility is affiliated with Silver Star Telephone Co. and was formed to purchase the Driggs exchange from U S WEST Communications.

Telecommunication Cases

Rural Telephone Company

Rural Telephone Co. serves a little more than 500 customers in several remote areas of Idaho. The company operates in the Three Creek area of Twin Falls and Owyhee counties, the Shoup area in Lemhi County and in the Atlanta, Pine, Featherville and Tipanuk areas of Elmore County. Rural received \$243,122 of its FY 2000 revenue from the Idaho Universal Service Fund.

August 20, 1999

Increased Local Calling Area and Higher Rates Approved For Rural Telephone Customers

Case No. GNR-T-97-09, Order No. 28415

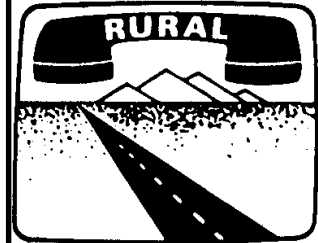
Customers of Rural Telephone Company in the Tipanuk, Prarie, Pine and Featherville areas will be able to make toll free calls to the Treasure Valley, but also have an increase in their monthly local rates, as a result of changes approved by the Idaho Public Utilities Commission. Local rates for these customers will increase to \$24.10 per month for residential customers, and \$42.00 per month for business customers.

Customers in the Atlanta area had also requested toll free calling into the Treasure Valley, but the Commission found insufficient community of interest between that small isolated mountain community and the Treasure Valley to justify the increased cost of extended area service. Most of that cost would be born by the Universal Service Fund and not the local ratepayers.

Rural Telephone Company, which serves some of the more remote and costly areas of the state, receives financial assistance from Idaho's Universal Service Fund, to make service in these high cost areas affordable. To remain eligible for this assistance, rates for all Rural customers were to increase to 125% of the statewide average, or nearly \$22 per month for residential customers. The Company informed the Commission that it would be December of 2000 before the construction necessary for the changes could be completed.

Direct Communications

The merger between Direct Communications Lakeside and Direct Communications Rockland resulted in Direct Communications. The merged company serves the Rockland-Arbon Valley area of southeastern Idaho, primarily in Power County, as well as the Paris exchange previously served by U S WEST. The company received \$203,358 of its FY2000 revenue from the state Universal Service Fund.



Ave. Residential Rate
= \$14.80
Ave. Business Rate
= \$20.00

Direct
Communications
Ave. Residential Rate
= \$24.10
Ave. Business Rate
= \$42.00



Ave. Residential Rate
= \$11.33

Ave. Business Rate
= \$17.65



Ave. Residential Rate
= \$12.67

Ave. Business Rate
= \$19.00



U S WEST South
Ave. Residential Rate
= \$16.97
Ave. Business Rate
= \$31.74

U S WEST North
Ave. Residential Rate
= \$15.43
Ave. Business Rate
= \$29.25

Telecommunication Cases

Potlatch Telephone Company

Potlatch Telephone Co., a subsidiary of TDS Telecom, serves more than 1,100 customers in the Juliaetta and Kendrick area near the Potlatch River in northern Idaho.

Troy Telephone Company

Troy Telephone Co., a subsidiary of TDS Telecom, serves more than 900 customers in the Troy area near Moscow.

Qwest Communications, Inc

Qwest, formerly U S WEST, has two operating companies in Idaho. The name change came from the merger of its parent corporation, U S WEST, the smallest of the original baby bell operating companies, with Qwest, the nation's fourth largest long distance company. The South Idaho operating company, the largest of the two, provides service to nearly 500,000 residential and business lines. These exchanges were previously served by U S WEST's Mountain Bell operating company. Qwest North includes the communities previously served by the Pacific Northwest Bell operating company. It includes the customers between Grangeville and Lewiston. Qwest's North Idaho service area is being sold to Citizens.

June 29, 2000

U S WEST FILES TERMS OF AVAILABILITY FOR CONNECTING WITH OTHER UTILITIES

Case No. USW-T-00-15

U S WEST has filed with the Idaho Public Utilities Commission its "Statement of Generally Available Terms" (SGAT) which outlines the terms and conditions that it requires for other phone companies to interconnect with it.

Included in the SGAT are U S WEST's terms and conditions for interconnection, access to unbundled network elements, ancillary services and resale of U S WEST's telecommunications services.

Telecommunication Cases

May 3, 2000

U S WEST REQUEST FOR DEREGULATED BURLEY PHONE EXCHANGE RATES DENIED

Case No. USW-T-99-15, Order No 28369

The Idaho Public Utilities Commission denied an Application by U S WEST for deregulated phone rates in the Burley exchange, contending the utility's case falls short of showing that effective competition exists throughout the local exchange calling area.

In a 2-1 decision, the Commission majority said, "We find that the evidence in this record does not satisfy the legislature's intent for the level of competition required to mandate deregulation of basic service rates." Commissioners Dennis Hansen and Paul Kjellander wrote the majority decision.

The Commission majority pointed to Idaho Code which requires that actual competition from a facilities-based competitor is present for both residential and small business customers and that "there are functionally equivalent, competitively priced local services reasonably available to both residential and small business customers." The code references the intent of the Idaho Legislature "that effective competition throughout a local exchange calling area will involve a significant number of customers having both service provider and service option choices and that actual competition means more than the mere presence of a competitor."

Commissioner Marsha Smith dissented in the case, saying, "by rejecting this Application outright, the majority denies competitive forces an opportunity to operate in the Burley exchange."

U S WEST's Application was the first time a company had sought price deregulation under a law passed by the Idaho Legislature.

June 12, 2000

PUC MAJORITY DENIES U S WEST REQUEST TO RECONSIDER BURLEY PHONE DECISION

Case No. USW-T-99-15, Decision No. 28407

An appeal by U S WEST to the Idaho Public Utilities Commission to reconsider its earlier decision denying the phone utility's Application to deregulate rates in the Burley area was rejected by the PUC.

In a 2-1 decision the Commission majority said that U S WEST had failed to present any new issue, or point to any mistake in the law the Commission had made. The majority opinion concluded that the utility was merely disagreeing with the commission's application of the law. Commissioners Dennis Hansen and Paul Kjellander voted to deny the reconsideration request.

Commissioner Marsha Smith reaffirmed her dissent in the original decision.

Telecommunication Cases

Other Telecommunications Cases:

April 25, 2000

IPUC Orders 17 Long-Distance Carriers To Halt Conducting Business In Idaho

Case Nos. GNR-U-00-2, GNR-U-00-3, GNR-U-00-4

Order Nos. 28336, 28334 and 28343

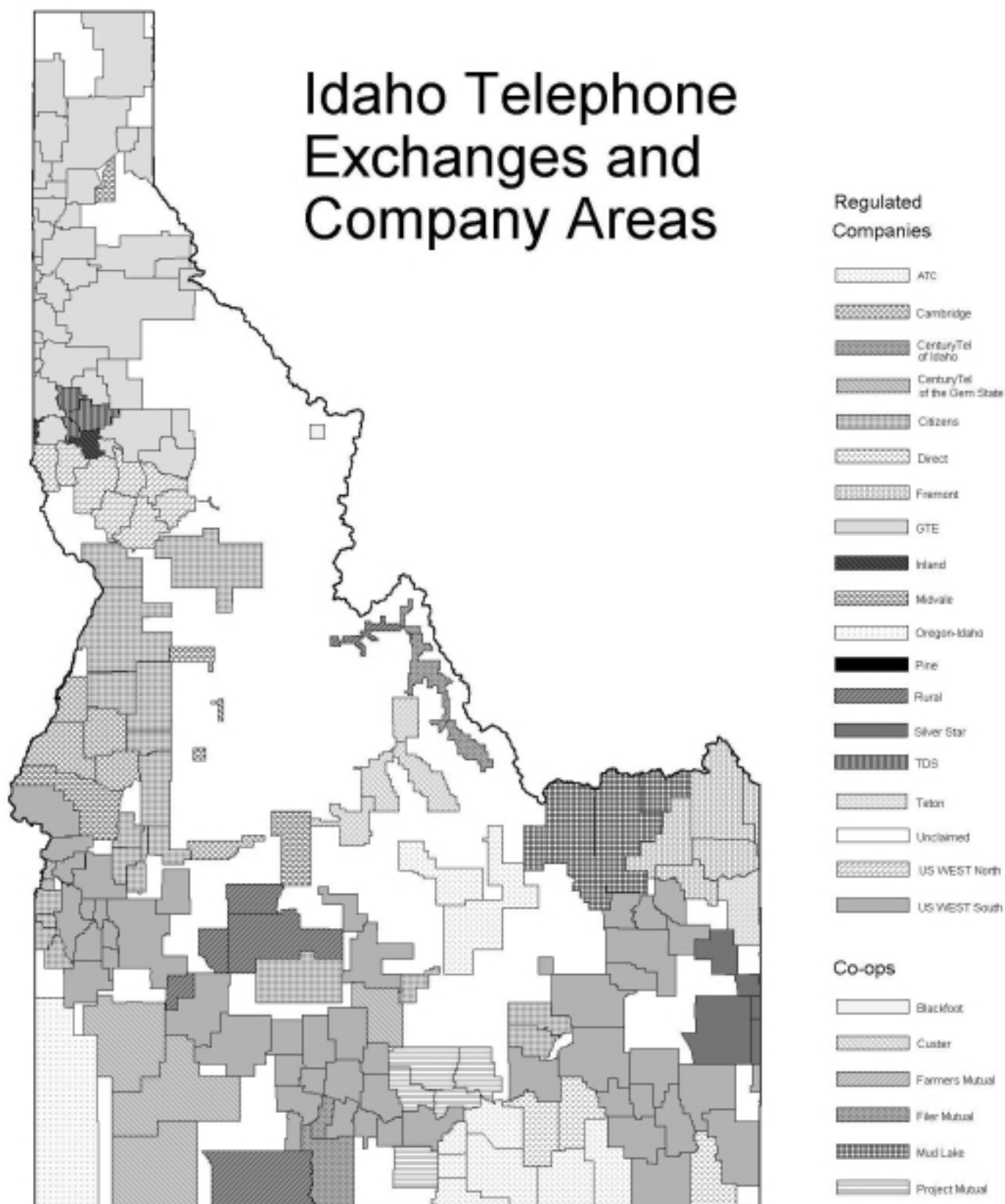
Seventeen long-distance telephone companies were ordered by the Idaho Public Utilities Commission to stop doing business in the state for violating state law and commission rules.

The 17 companies include: Accutel Communications, Inc., Atlas Equity, Inc. doing business as Performance Telecom, Host Network, Inc., Long Distance Direct, Inc., Pride America, Inc., Phoneco, Inc. doing business as Network Services Long Distance, Voice Telephone Co., STA Telecommunications Corp., VIP Telephone Network, Inc., Trans National Communications, Inc., Group III Services, Western Telecommunications Inc. doing business as People Link, Call Plus, Inc., Dolphin USA, Inc., LD Network Service, Inc., North American Communication Group, Inc., and Partners in Communication. Another company named earlier in a show-cause order, 1- Plus Savings, voluntarily ceased operating within Idaho.

The PUC order directed local telephone exchanges to not accept long-distance traffic from the long-distance carriers. Idaho law requires long-distance carriers to pay regulatory fees, in this case amounting to \$50 annually, and to report yearly revenue from intrastate telephone traffic. Earlier this year, the companies had been ordered at a PUC hearing to show cause why they had not met the regulatory requirements. None of the companies appeared at the hearing.

The commission order noted that it is unreasonable for these companies to be allowed to operate in Idaho without paying regulatory fees. Failure to report gross intrastate operating revenue and to pay their fees unfairly burdens the remaining companies that are in compliance with the law, the Commission said.

Idaho Telephone Exchanges and Company Areas



Telecommunication Utilities Under IPUC Jurisdiction

ATC

P.O.Box 98
Albion, Idaho 83311-0098
208/675-5335

Cambridge Telephone Company

P.O.Box 86
Cambridge, Idaho 83610-0086
208/257-3314

CenturyTel of Idaho, Inc.

P.O.Box 1007
Salmon, Idaho 83467
208/756-3300

CenturyTel of the Gem State, Inc.

P.O.Box 9901
805 Broadway
Vancouver, Washington 98668
360/905-5800
111 A Street
Cheney, Washington 99114
509/235-3170

Citizens Telecommunications Company of Idaho

4 Triad Center, Suite 220
Salt Lake City, Utah 84180
801/321-6602
P.O.Box 926
201 Lenora Street
McCall, Idaho 83638
208/634-6150

Inland Telephone Company

103 South Second Street
P.O.Box 171
Roslyn, Washington 98941
509/649-2211

Fremont Telecom, Inc.

110 E. Main Street
St. Anthony, Idaho 83445
208/624-7300

Midvale Telephone Exchange, Inc.

P.O.Box 7
Midvale, Idaho 83645-0007
208/355-2211

Verizon Northwest, Inc.

17933 N.W. Evergreen Parkway
P.O.Box 1100
Beaverton, Oregon 97075
503/629-2281
208/765-4351 (Coeur d'Alene)
800/483-4100 (Moscow)
208/263-0557, Ext. 204 (Sandpoint)

Oregon-Idaho Utilities, Inc.

P.O.Box 190310
Rincon Station
San Francisco, California 94119-0310
415/597-7811
714 Main Street
P.O.Box 1406
Caldwell, Idaho 83605
208/454-7800

Pine Telephone System, Inc.

P.O.Box 706
Halfway, Oregon 97834
541/742-2201

Potlatch Telephone Company

P.O.Box 138
702 E. Main Street
Kendrick, Idaho 83537-0138
208/835-2211

Rockland Telephone Company, Inc.

P.O.Box 269
147 W. 4th Avenue
Rockland, Idaho 83271
208/548-2345

Rural Telephone Company

704 W. Madison Avenue
Glenns Ferry, Idaho 83623
208/366-2614

Silver Star Telephone Company, Inc.

P.O.Box 226
Freedom, Wyoming 83120
307/883-2411

Troy Telephone Company

P.O.Box 138
702 E. Main Street
Kendrick, Idaho 83837-0138
208/835-2211

Teton Telecom Communications

P.O.Box 900
Driggs, Idaho 83422
208/354-3300

Qwest Communications

North and South Idaho
P.O.Box 7888 (83723)
999 Main Street
Boise, Idaho 83702
800/244-1111